

Industry Circular



Internal Revenue Service

Alcohol, Tobacco, and Firearms Division
Washington, D.C. 20224

Industry Circular No. 70-24

July 16, 1970

ILLEGALITY OF SALES PROMOTION CONTESTS

Distillers and Bottlers of Distilled Spirits, Producers and Bottlers of Wine, Wholesalers and Importers of Wines and Distilled Spirits, and Others Concerned:

Purpose: The purpose of this circular is to remind industry members of the applicability of the provisions of Section 5(c)(2) of the Federal Alcohol Administration Act (27 U.S.C. 205(c)) to the offering or giving of any bonus, premium, or compensation to any officer, or employee, or representative of a wholesaler or a retailer of alcoholic beverages.

Background: The attention of this office has been directed to a proliferation of sales promotion contests, involving the awarding of substantial prizes to sales managers of wholesale dealers exceeding depletion quotas established by their suppliers.

Section 5(c)(2) of the Federal Alcohol Administration Act makes it unlawful for any producer, bottler, importer or wholesaler of alcoholic beverages, directly or indirectly or through an affiliate, to induce a trade buyer (a wholesaler or retailer) to purchase distilled spirits, wines, or malt beverages from him to the exclusion, in whole or in part, of similar products sold or offered for sale by other persons in interstate commerce, under the conditions prescribed in that Section, (1) by commercial bribery; or (2) by offering or giving any bonus, premium, or compensation to any officer, or employee, or representative of the trade buyer.

Conclusion: The offering or giving of prizes, such as trips abroad, to sales managers of wholesale liquor dealers, or the offering or giving of money to managers or sales employees of wholesalers or retailers, would fall equally within the coverage of the Act and might subject the producer, importer or wholesaler, making such offer or gift, to liability under the Act, including the possible revocation or suspension of applicable basic permits.

It is suggested that all sales promotion programs be reviewed to make certain that such programs do not fall within the coverage of the statute cited above.

Inquiries: Inquiries concerning this circular should refer to its number and be addressed to the Director, Alcohol, Tobacco and Firearms Division (CP:AT:B), Internal Revenue Service, Washington, D. C.

Harold A. Serr, Director
Alcohol, Tobacco and Firearms Division